



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**For the six months ended March 31, 2019**

(Expressed in Canadian dollars)

**AZARGA METALS CORP.**  
**For the six months ended March 31, 2019**  
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The following is management's discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Azarga Metals Corp. (the “Company” or “Azarga”) for the six months ended March 31, 2019 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fiscal year ended September 30, 2018 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended September 30, 2018, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the six months ended March 31, 2019 (the “Financial Report”).

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is May 29, 2019.

### **Description of the Business**

Azarga is a publicly-traded company incorporated under the laws of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol AZR.

The Company is engaged in the exploration and, if warranted, development of a mineral resource project in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

### **BSRT Transaction**

On April 12, 2019, the Company and Baker Steel Resources Trust Ltd. (“BSRT”) executed a secured convertible loan facility agreement (the “Transaction”) pursuant to which BSRT will loan the Company US\$3,000,000 (the “Loan”). The first advance of US\$1,000,000 was received on signing. The second advance of US\$2,000,000 is drawable in four to six months and is subject to earlier drawdown in certain circumstances set out in the definitive documentation.

The Loan bears interest at 8% per annum, payable semi-annually, and matures on December 31, 2022. BSRT is permitted to convert some or all of the principal amount of the Loan into common share of the Company at a conversion price of \$0.14 per common share. Azarga is permitted to convert the interest owing under the Loan into common shares of the Company at a conversion price equal to the market price on the day of the interest election notice.

The Loan is secured against the shares of the Company's wholly-owned subsidiary Azarga Metals Limited, the beneficial owner of the Unkur Copper-Silver Project. BSRT has also been provided typical anti-dilution rights.

In connection with the Transaction:

- the Company issued BSRT 13,490,414 share purchase warrants exercisable at a price of \$0.17 until April 12, 2021; and
- the Company issued 554,166 common shares as a finder's fee on the first advance. The finder is entitled to 1,108,333 common shares as a finder's fee on the second advance of US\$2,000,000 once advanced.

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Azarga has started planning for the second major physical exploration phase at the Unkur Copper-Silver Project ("Unkur") which will commence during the 2019 field season and will include a diamond drilling program with the expectation of discovering additional copper and silver mineralization from at least three target concepts:

- (i) along strike or down dip from currently defined mineralization;
- (ii) confirming the presence of at least one additional mineralized zone postulated to occur stratigraphically below the currently defined Zone 1 and Zone 2; and
- (iii) drilling new targets expected to be generated by planned geophysical surveys.

A more detailed announcement regarding the second major physical exploration phase at Unkur will be made in due course.

### **Leadership team**

On May 15, 2019, the Company announced the appointment of Michael Hopley as President and Chief Executive Officer and Dr. Alexander Yakubchuk as Vice President, Exploration.

Michael Hopley is the longest serving director of the Company. He has over 35 years of international experience as a geologist and exploration manager for resource companies in the precious metals and base metals sector. For the past 20 years he has managed a number of publicly traded junior resource companies and held a number of executive and board positions with companies conducting mineral exploration. Mr. Hopley was most recently President & CEO of Sunridge Gold Corp. which concluded a successful exploration and development program on the copper-zinc-gold Asmara Project in Eritrea culminating in the sale of the Asmara Project to a large Chinese company in 2016.

Dr. Alexander Yakubchuk brings more than 30 years of operational and executive experience in the Former Soviet Union (FSU), including Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan, as well as Australia, Mongolia, China, Canada, and several European countries. He is currently the Exploration Director of Orsu Metals Corp. (TSX-V:OSU), which is the holder of the Sergeevskoe gold project in the same area of Russia as the Company's Unkur Project. During 2003-07 he held the position of Exploration Manager for Europe and FSU for Gold Fields. Dr Yakubchuk has previously worked and consulted for companies such as BHP-Billiton, Norilsk Nickel, Goldcorp, Rio Tinto, World Bank and Inco as well as lectured at the Lomonosov Moscow State University.

Mr. Hopley and Dr. Yakubchuk have accelerated the planning of the Company's next phase of exploration at Unkur, which is anticipated to include the largest drilling campaign yet performed on the project.

### **Unkur Copper-Silver Project, eastern Russia**

Azarga acquired the Unkur Copper-Silver Project, located in the Zabaikalsky administrative region of eastern Russia (relatively near the China-Russia border), in mid-2016 and then embarked on a successful initial exploration program. In 2016-2017, the Company completed 16 diamond core drill-holes at Unkur for 4,580 cumulative linear meters. A National Instrument 43-101 ("NI 43-101") Resource was published in April 2017 and then in March 2018 the Resource was enlarged and a preliminary economic assessment ("PEA") was undertaken.

The PEA was filed at the end of August 2018 (see: "Technical Report and Preliminary Economic Assessment for the Unkur Copper-Silver Project, Kodar-Udokan, Russian Federation" dated effective August 30, 2018 filed on SEDAR or the Company's website). The PEA is based on the current Inferred Mineral Resource estimate of 62 million tonnes at 0.53% copper and 38.6 g/t silver, containing 328,600 tonnes (724 million pounds) of copper and 76.8 million troy ounces of silver. The PEA was positive, envisaging an 8-year mine life producing 13.2 kt of copper and 3.7 million oz of silver per year and resulting in an estimated pre-tax net present value of US\$206.3 million (post-tax US\$147.5 million) and internal rate

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of return of 28.9%.

Mineralization at the Unkur Copper-Silver Project remains open in both directions along strike and at depth. The Company believes there is potential to at least double the size of the existing mineralized envelope with the second phase drilling program.

**Qualified Person**

The Company's President and Chief Executive Officer, Michael Hopley, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

**Trends**

The Company is an exploration company. At this time, issues of seasonality or market fluctuations have had a minor impact on the expenditure patterns. The Company expenses its exploration, project investigation and general and administration costs, and these amounts are included in the net income (loss) for each quarter. The Company's treasury, in part, determines the levels of exploration.

The level of the Company's exploration and evaluation expenditures is largely determined by the strength of resource capital and commodity markets and its ability to obtain investor support for its projects.

**Financial Condition – six months ended March 31, 2019**

The Company began the current fiscal period with cash of \$20,449. During the six months ended March 31, 2019, the Company spent \$242,983 on operating activities net of working capital changes and received \$232,650 through shareholder loans, to end at March 31, 2019 with \$10,116 cash.

**Liquidity and Capital Resources**

As at March 31, 2019, the Company had a working capital deficiency of \$984,228. In April 2019, the Company executed a secured convertible loan facility agreement for US\$3,000,000, of which US\$1,000,000 was received on signing (see BSRT Transaction section in this MD&A). However, additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

**Related Party Transactions**

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

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**Additional Disclosure for Venture Issuers without Significant Revenue**

The components of exploration and evaluation assets are described in Note 6 to the Financial Report.

**Outstanding Share Data as at the date of this MD&A**

Authorized: an unlimited number of common shares without par value

	<b>Common Shares Issued and Outstanding</b>	<b>Share Purchase Warrants</b>	<b>Stock Options</b>
<b>Balance as at March 31, 2019</b>	90,398,472	-	4,770,000
BRST Transaction – finder's fee	554,166	-	-
BSRT Transaction – warrants	-	13,490,414	-
<b>Balance as at the date of this MD&amp;A</b>	<b>90,952,638</b>	<b>13,490,414</b>	<b>4,770,000</b>

**Cautionary Note Regarding Forward-looking Statements**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Azarga or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Azarga and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Azarga believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Azarga is subject to a number of risks and uncertainties, including those risk factors discussed under "Risk Management" in the above documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Azarga may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Azarga will be realized or, even if substantially realized, that they will have the expected consequences for Azarga.

Forward-looking statements are based on the beliefs, estimates and opinions of Azarga's management on the date the statements are made. Unless otherwise required by law, Azarga expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Azarga does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

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**Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.azargametals.com](http://www.azargametals.com).